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U.S. DEPARTMENT OF LABOR
BEFORE THE HOUSE COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON MANAGEMENT, INTEGRATION, AND OVERSIGHT**

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Good morning. Chairman Rogers, Ranking Member Meek and distinguished members of the Subcommittee, thank you for this opportunity to discuss the Department of Labor's Employment and Training Administration's response to the terrorist attacks of September 11, 2001.

In the aftermath of that terrible tragedy, the Employment and Training Administration (ETA) engaged in a number of activities to ensure that the affected workers received income support, job training, job search assistance, and other employment related services. Today, I will testify about these activities, and the lessons we learned about disaster preparedness and program oversight during that time period. I would also like to take this opportunity to discuss a very different kind of disaster – Hurricane Katrina, and the lessons that we learned from responding to the vast devastation and displacement that it left in its wake. Finally, I will share with the subcommittee how these lessons have helped shape our future disaster response and oversight activities.

ETA is responsible for an array of programs and services to assist workers who have lost or might lose their jobs as a result of disasters. These include the Unemployment Compensation program (UC), Disaster Unemployment Assistance (DUA), National Emergency Grants (NEGs), and the wide variety of employment and training services that are available through One-Stop Career Centers.

Before I go into more detail about our disaster response and oversight activities after the terrorist attacks of September 11, 2001, I would like to give a brief overview of each of the programs I have just mentioned. The UC program provides temporary partial income support (also known as unemployment insurance) to laid-off workers to help ensure that some of the basic necessities of life are met while the individuals look for work. It is also an important economic stabilization tool. Benefits are provided for up to 26 weeks in most states and the benefit amount is based on past work and wages. During periods of high unemployment, up to 13 additional weeks of benefits are available under the Extended Benefits program. In general, UC is available to workers who have significant recent work experience and are unemployed through no fault of their own.

The UC program is a federal-state partnership based upon Federal law, but administered by state employees under state law. Federal law defines certain requirements and each state designs its own UC program within the framework of the Federal requirements. The primary functions of the Federal government include: setting broad overall policy for administration of the UC program; monitoring state performance; and providing technical assistance when necessary. The primary functions of states include: taking claims; determining eligibility; and ensuring timely payment of benefits to unemployed workers.

The DUA program provides financial assistance to individuals who are not eligible for regular UC (such as the self-employed and recent entrants to the labor market) and whose employment has been interrupted as a direct result of a major disaster. DUA benefits are triggered when the President declares a major disaster in specified areas of a state.

NEGs are funded through the Secretary's reserve as authorized under the Workforce Investment Act of 1998 (WIA). In response to a natural disaster, states can apply for NEG funds to provide temporary disaster relief employment for individuals who have lost their jobs as a result of the disaster, are eligible dislocated workers, or are otherwise unemployed. This temporary employment is to work on projects that provide food, clothing, shelter and other humanitarian assistance for disaster victims as well as to conduct demolition, cleaning, repair, renovation and reconstruction of damaged or destroyed public structures, facilities and lands located in the disaster area. The funds may also be used to provide other employment and training activities. Once FEMA has declared a disaster eligible for public assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, a state may submit an application for NEG disaster funds. A short application process for disaster relief NEGs is in place for States to request funds to respond to immediate needs.

One-Stop Career Centers are the local access point for employment and training services, such as job search and placement services, job vacancy listings, career planning and guidance, and supportive services. Over a dozen federal programs are partners in the One-Stop Career Center system. Currently, there are almost 3,500 comprehensive and affiliate One-Stop Career Centers around the country.

ETA's Response to 9/11

All of us who served our nation during the time of the September 11 attacks vividly recall the pervasive atmosphere of urgency, "can-do" improvisation, broad generosity, and concern for those who were suffering. All of us in government, including the Department of Labor, were faced with new challenges and problems that demanded immediate results—and generally, those results were delivered.

Following the terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, the Secretary of Labor awarded a \$25 million National Emergency Grant (NEG) to New York to assist approximately 6,900 dislocated workers from industries directly impacted in New York City by the disaster. Temporary jobs were not created as a

result of the nature of the disaster and the health hazards involved. The NEG funds originated in the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks in the United States (Public Law 107-38). The state of New York subcontracted with 17 organizations to provide employment and training services.

The Secretary also awarded a National Emergency Grant to Virginia for \$3.5 million, which served approximately 5,000 workers, including those from airline and related industries. Several grants were awarded to states that were impacted by layoffs in the airline and related industries dealing with the economic aftershocks of the terrorist attacks of September 11, 2001. They included NEG awards to Minnesota for \$8 million (to serve approximately 2,500 workers), Illinois for \$5 million (to serve approximately 2,375 workers), Florida for \$3.4 million (to serve approximately 2,000 workers), New Jersey for \$3.2 million (to serve approximately 2,500 workers), and Massachusetts for \$2.4 million (to serve approximately 600 workers).

The Emergency Supplemental Appropriations Act also provided \$175 million for New York Workers Compensation Programs, and included an earmark for \$32.5 million to the Consortium for Worker Education, a New York City based organization.

New York was also allocated \$7.6 million in emergency funding for administrative costs associated with processing unemployment compensation. The allocations were made in two installments of \$3.1 million and \$4.5 million.

ETA Regional Office staff provided technical support to New York State, which not only experienced more than a 100% increase in unemployment insurance claims, but was also restricted by the peripheral physical damage in New York City. The ETA Regional Office also coordinated activities between affected state agencies and FEMA and provided Federal staff to the city's disaster center to assist with UC claims.

The state agencies in New York and Virginia were able to handle state UC and DUA claims filing. New York handled claims filing primarily by telephone and as a result was able to process UC claims through its upstate call center even though its New York City call center was closed temporarily due to damage from the attacks. Virginia (which took claims in person) set up a temporary claims center at the Ronald Reagan Washington National Airport, which was closed for a period following the attacks. Volunteers from the U.S. Department of Labor and neighboring states helped Virginia staff this temporary claims center which handled UC claims primarily from airport workers.

In response to the unique circumstances related to the terrorist attacks, the Department of Labor issued emergency regulations to permit individuals who were unemployed due to the closure of the airport to be eligible for DUA. In addition, the deadline for applying for DUA was extended in New York. Congress also extended DUA benefits from 26 to 39 weeks for individuals who lost their jobs because of the terrorist attacks on 9/11. Approximately 3,400 people received \$14 million in DUA.

Oversight Activities

Grant making in a time of crisis requires an equal emphasis on expediency and efficiency. ETA follows detailed, written procedures for each of its grants, and continuously upgrades these safeguards to strengthen the integrity of the grant-making process.

Following recommendations by the Office of the Inspector General (OIG) to more clearly delineate the roles and responsibilities of personnel in various departmental offices with respect to the grant process, especially in emergency situations, ETA issued a new Employment and Training Order (ETO) in 2003. This ETO clarified the roles and responsibilities within ETA for grant administration, including the Regional Office federal project officer responsibilities. To further strengthen oversight and financial management of NEG, ETA also issued internal guidance on the roles and responsibilities for the grant awards, covering all aspects of the administrative process, including the assurance that the process is efficient and transparent. This includes monitoring of NEG projects for compliance with the grant fiscal and program requirements to avoid fraud and abuse.

Finally, with respect to UC, the Department requires each state to operate a Benefit Payment Control program that prevents, detects, and recovers improper UC payments. States utilize a wide array of tools to detect potential improper UC payments including in-depth investigations and cross-matches with databases from other government agencies to determine, among other things, if individuals are still receiving UC after they returned to work. The Department recently established a new performance measure for improper UC payments, which was consistent with recommendations of the OIG. The Department also has provided state UC agencies with funds to use the latest technology to detect potential improper payments. Since each state UC agency already had this oversight system in place before 9/11, they did not have to create a new oversight program after the attacks to determine if UC benefits were improperly paid. In addition, the President's FY2006 and FY2007 budget proposals have included UC program integrity proposals which, if enacted, would help states reduce improper UC payments and produce significant cost savings while protecting UC for those who are eligible, especially in the event of a massive disaster like September 11.

ETA's Response to Hurricane Katrina

Although Hurricane Katrina was a disaster of a very different nature than the 9/11 tragedy, ETA's activities were informed by our experience handling services after the terrorist attacks on September 11, 2001. In New York and Virginia, the disaster was mainly localized, and the state infrastructure for the state workforce investment system remained largely intact. During Hurricane Katrina, the states that were primarily affected - Alabama, Louisiana and Mississippi - experienced severe loss of infrastructure, and the displacement of workforce system staff. As a result the state workforce systems were not able to readily respond—even, in one case, to be able to electronically submit an application for a NEG.

ETA has had substantial experience with disasters caused by hurricanes, yet this experience did not fully prepare the agency to respond to a disaster of the magnitude of Hurricane Katrina in which state infrastructure was devastated. In addition to the large numbers of persons who lost their employment due to the devastation, significant numbers of persons evacuated the immediate areas of devastation and relocated to other nearby states, causing new and different challenges for the workforce system.

ETA responded quickly with NEG's and other resources to the affected states and evacuee host states. A total of \$236 million was awarded in NEG's to states for the 2005 Gulf Coast Hurricanes.

The UC and the DUA programs provided crucial financial assistance to victims of hurricanes Katrina and Rita. ETA estimates that approximately 293,000 people received \$784 million in UC in the areas affected by the hurricanes. Approximately 197,000 people received \$395 million in DUA.

After the Hurricanes, ETA was in close contact with state officials in the impacted states and provided a wide array of assistance including:

- Quick distribution of \$44 million in UC administrative grants to help Louisiana, Mississippi, and Alabama repair and replace damaged infrastructure for the UC program and to expand their capacity to process a surge in claims;
- Extending the time allowed for individuals to apply for DUA and to provide documentation of wages and employment because of the difficulties many evacuees faced;
- Recruiting states to help Louisiana and Mississippi with claims filing via a toll-free phone number that routed calls from unemployed workers in Louisiana and Mississippi to call centers in other states; and
- Working with the U.S. Department of Health and Human Services (HHS) to expedite Mississippi and Louisiana obtaining authorization to cross-match their UC claims against the National Directory of New Hires (NDNH). (UC beneficiaries who continue to claim benefits after returning to work are the number one cause of UC overpayments and the NDNH includes information on all new hires nationwide.)

In addition, Congress enacted legislation providing \$500 million to Alabama, Louisiana, and Mississippi to help pay the costs of regular UC benefits. Congress also enacted the Katrina Emergency Assistance Act of 2005 which extended DUA benefits from 26 up to 39 weeks for victims of Hurricanes Katrina and Rita. (Along with DUA recipients, individuals who received their full entitlement to UC were potentially eligible for 13 additional weeks of benefits.) Congress also enacted the Flexibility for Displaced Workers Act (Public Law 109-72), which provided additional flexibility for serving disaster affected individuals using NEG funds.

The Department and ETA spearheaded several other initiatives to help displaced workers and impacted communities. These included:

- Implementing the Pathways to Construction Employment Initiative to support economic revitalization in Louisiana and Mississippi through a partnership between each state's workforce agency and the community college system to establish and operate construction career pathways. Each state was awarded \$5 million to implement the projects.
- Awarding High Growth Job Training Grants to Alabama, Louisiana, Mississippi, and Texas to train workers for jobs and careers in critical industries such as construction, energy, health care, transportation, and safety/security. Each state received \$3 million to implement these projects.
- Awarding \$63 million in Community-Based Job Training Initiative grants to 35 community colleges in the Gulf Coast and the Southeast whose programs will be critical to rebuilding the regional economy.
- Developing the Reintegration Counselor Program, which deployed highly skilled counselors to increase the capacity of One-Stop Career Centers in serving hundreds of thousands of individuals displaced from their families and jobs. ETA provided \$13,500,000 to fund more than 150 counselors in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, Texas and Virginia.
- Deploying Disability Program Navigators to assist individuals with disabilities in the affected region (\$5 million was awarded to support this initiative).
- Implementing the Hurricane Recovery Coach, an innovative online tutorial developed for workers, businesses, and reintegration counselors/workforce staff impacted by the Hurricanes Katrina and Rita. The Hurricane Recovery Coach identifies common employment and recovery issues facing evacuees and others who have been affected by the hurricanes and provides step-by-step instructions to help users find resources to related information.
- Forming the Mississippi/Manpower partnership between One-Stop Career Centers and Manpower, Inc. to encourage evacuees to return home to work and to certify an evacuee's work readiness skills. This program created "Coming Home Portfolios" that include job training, support services and employment opportunities.
- Providing waiver flexibility to seven states to help states target services to affected individuals and local areas. A total of 46 WIA waivers and three Work-flex Plans were approved for the states of Alabama, Arkansas, Georgia, Louisiana, Mississippi, and Texas.

One-Stop Career Center System

One-Stops Career Centers were uniquely positioned to be an access point for services for Hurricane victims, because they were geographically dispersed and already the focus for individuals seeking unemployment and disaster benefits and searching for temporary or full-time employment. One-Stop Career Center staff are trained and experienced in serving a wide range of customers with multiple needs.

In addition to the almost 3,500 One-Stop Career Centers around the country, many states have developed the capacity to provide mobile One-Stop services, particularly in remote areas. This was a service that was critical during the massive displacement resulting from Hurricane Katrina, when dozens of mobile career centers were deployed to provide service at evacuee shelters. After Hurricane Katrina, evacuees were in every state in shelters and were rapidly moving into new communities. The One-Stop Career Centers and affiliates nationwide served as access points for benefits and services for evacuees while away from home or in their new hometown. One-Stop Career Centers also helped evacuees connect to jobs across state boundaries.

During the disaster and in its aftermath, One-Stop Centers had the capacity to broadcast employment and career opportunities nationwide with an array of Internet-based tools to assist during the disaster. These web tools included the CareerOneStop comprehensive Web site: www.careeronestop.org and www.servicelocator.org.

One-Stop Career Centers also supported FEMA in identifying the skilled and specialized workforce necessary to help in recovery and disaster relief efforts.

Monitoring and Oversight of Katrina Activities

ETA has developed several tools to ensure that proper monitoring and oversight is taking place in the aftermath of Hurricane Katrina. First, ETA's regional offices produce a weekly stewardship report on all key activities. This report was initially required by the Office of Management and Budget (OMB) in September 2005 to document the agency's analysis and response to the financial risks posed by the huge rapid response required in the aftermath of the Katrina disaster. Required information included:

- Identification of abnormal risks presented by the emergency for fraud, waste and abuse of funds/assets;
- Evaluation of the effectiveness of existing controls to prevent/detect each risk;
- Additional controls to be implemented for the emergency; and
- Normal and/or additional monitoring of programs and transactions to be used to track the effectiveness of implemented controls.

DOL senior management requested the Office of the Chief Financial Officer (OCFO) to recast the OMB report into a weekly report which would specifically identify and track DOL financial control issues relating to Katrina recovery efforts. In response, the Employment and Training Administration developed a reporting process which includes:

- a. Reports from the regional offices on Katrina related events:
 - i. Significant actions for the week;
 - ii. New issues identified as affecting timeliness of response or vulnerability to fraud, waste and abuse;
 - iii. Status of progress in addressing issues requiring on-going efforts to ameliorate the risk;

- iv. Any other information pertinent to the Katrina recovery effort financial situation, such as Office of Inspector General investigations, State officials/agencies' communications or investigations, etc.
- b. Reports from the program offices on Katrina related issues involving policy or other high-level responses.
- c. Status of funding and expenditure for each Katrina related grant or program.

This report is presented weekly to the Deputy Secretary of Labor to keep senior management apprised of the financial status of the recovery effort and to highlight possible or actual vulnerabilities and the efforts of DOL towards abating those vulnerabilities.

For NEG projects, this report looks at overall participant enrollments and financial draw downs for both direct disaster projects and for evacuee projects. This report also looks at all major monitoring activities as well as any issues identified by the states or by regions that need resolution including policy issues, grant actions and similar matters that affect the success of the disaster response.

Regional Monitoring, Oversight and Technical Assistance

Since Hurricane Katrina, ETA has been involved in significant on the ground support to affected states. ETA Regional Office staff has monitored affected states on their DUA programs in accordance with the Secretary's standards, and has provided numerous onsite and remote technical assistance, in addition to actual onsite monitoring and oversight since the onset of Katrina and Rita.

Immediately after the Hurricane hit, the Dallas Regional Office formed an internal Hurricane Team to work directly with Louisiana Department of Labor officials to provide onsite and remote technical assistance, oversight and monitoring, and act as a liaison to obtain assistance from other states and regions for technology and staffing support. To date, the members of this team have made 68 separate and joint onsite technical assistance and monitoring visits to states in the region in response to Hurricanes Katrina and Rita. The team has also assisted the Louisiana Department of Labor in implementing and carrying out the new National Directory of New Hires for cross matching UI and DUA claimants across state lines to help alleviate fraud and abuse of UI and DUA funds.

Lessons Learned in the Aftermath of 9/11 and Hurricane Katrina

As a result of the terrorist attacks of September 11, 2001, and impact on the Gulf Coast in 2005 from Hurricanes Katrina and Rita, we have learned that each large catastrophic event is different and that we must develop a wide array of tools so that we are able to rapidly respond to different circumstances as they arise. Although there are many things we can do to prepare for a disaster, we have also learned that events of this magnitude always entail circumstances that may not be foreseen. For example, after September 11th,

there was a need to change DUA regulations in order to serve workers who were unemployed due to the closure of Ronald Reagan Washington National Airport. The mass relocation of victims of Hurricane Katrina required new and different responses, including unprecedented coordination between states to handle claims for UC and DUA.

We learned that in times of disaster, it is critical for the workforce system to collaborate with other government agencies and have access to information about resources that these agencies can provide. For example, in the aftermath of the Hurricanes, dislocated individuals who could be engaged in NEG funded temporary disaster projects required housing since most housing in the affected areas was destroyed. The workforce system can arrange for recruitment and placement, but did not have ready access to information about when individuals would become eligible for housing assistance, making the job placement situation difficult.

Another lesson that we learned from these disasters is that telephone and internet claim filing for UC and DUA benefits provides needed flexibility in the aftermath of a destructive event. Although states have gradually stopped taking claims in person, not all states have adopted telephone and internet claims filing systems. The Department has encouraged states to adopt these systems by providing them with implementation grants. As of March 2001, 22 states had implemented telephone claims filing operations and 8 states had implemented internet claims filing operations. Since 2001, we have given states over \$15 million for telephone and internet claims filing systems. Now, 38 states have telephone claims filing operations and 43 states have internet claims filing operations.

Remaining Challenges

Although we have made a tremendous amount of progress in our disaster preparedness, there are still some remaining challenges that we have identified, which include:

Streamlining DUA Funding. Although DUA is funded by FEMA, the Department of Labor is responsible for administering the program through the state agencies that administer state UC programs. The basic concept is simple — FEMA transfers funds to the Department which, in turn, gives funds to the affected states to pay DUA benefits and administrative costs. The process involves multiple levels of review and approval by FEMA and DOL before needed funds are authorized for transfer. As a result, there have been instances when states were forced to delay DUA payments because funding was received late. An important challenge is to streamline the approval and fund issuance process so DUA funds can reach disaster stricken states as soon as they are needed to make payments.

Developing Business and Disaster Recovery Plans. Hurricanes, fires, floods, earthquakes, and tornadoes, as well as physical and cyber terrorism, computer and telecommunications failures, and pandemics could cause mass unemployment that exceed the claims processing capacity of the impacted states. After Hurricane Katrina, we learned that most states do not have plans for providing services after a mass unemployment inducing disaster or when the UC agency headquarters are destroyed. Thus, a remaining challenge is the development of business continuity and disaster recovery plans that address loss of communication, loss of computer processing capability, and loss of primary workspace, and ways in which essential business functions will continue until normal capability is restored and vital facilities are accessible.

Developing Cooperative Agreements between States. During Katrina, several states provided support to the impacted states, yet there were initial problems associated with how assisting states would be reimbursed for assistance provided such as staffing and mobile one-stop systems. In the future, ETA believes that it is important to encourage states to establish a set of protocols and cooperative arrangements to deliver services when the home state is unable.

Developing and Implementing DUA Internet Claims System. Hurricanes Katrina and Rita highlighted the gap in operating efficiency between UC and DUA claims processing. It is important to automate DUA claims processing and integrate those systems with state UC systems.

Sharing Information between Agencies to Locate Victims and Provide Services. Hurricane Katrina highlighted the barriers to information sharing between federal agencies. This is a challenge because without this information sharing it is more difficult to locate disaster victims and provide needed services.

Next Steps

As a result of disaster planning since 9/11 and Katrina, ETA has developed several new policies and tools which can be utilized in a future emergency. We have also developed the ability to catalyze a wide array of partners working collaboratively in support of disaster response activities.

We have also examined several approaches to providing assistance in the event of disasters to support communities in times of economic shock; we are currently developing Strategic Action for Regional Transformation (“START”) Teams of senior ETA officials that can get on site quickly and bring information and resources to assist in the development of a state and local response. ETA is also developing Community Blueprints designed to support communities suffering economic shocks to reassess their economic landscape and develop response and growth strategies. We have also compiled a comprehensive Federal Resource Guide that catalogues resources and services available across the federal government to help individuals and communities.

Conclusion

The September 11, 2001 terrorist attacks and the 2005 Hurricane Season created challenges unlike any we have seen before. In response to these challenges, we have developed new tools to provide technical assistance to affected states; monitor and oversee how funds are being spent; and help displaced workers access income support and other services, and become quickly reemployed. In addition we have developed tools to assist communities dealing with the economic impact of these disasters. We will continue to devote significant time and resources to developing these tools further and preparing for potential disasters.

Mr. Chairman, this concludes my testimony. Again, I appreciate the opportunity to appear before you on behalf of the Employment and Training Administration. I am prepared to respond to any questions that you may have at this time. Thank you.